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REFS: a) BA-5781 and b) BA-5950

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1. Summary: The outcome of the recent military crisis (see clearly ref a) pointed up ~~with clarity~~ that real political power no longer resides with the President. At this point, whether or not she remains as President is a question of almost academic interest. There is a power vacuum at the center and it is not she who will fill it; hence, whether she remains as figurehead President for yet some time, or whether a new government headed by ~~Luder~~ or someone like him takes over from her, Mrs. Peron is no longer at the center of the equation. Others must try to fill the vacuum, and in so doing turn the economy around.

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come to grips with rampant terrorism and myriad other problems. A civilian/constitutional solution cannot be discounted. Indeed, that is what almost everyone in Argentina hopes for--including the Armed Forces. The magnitude of the problems and tenuousness of the mandate, however, are such that the civilians who try to fill the vacuum will have no better than a 40/60 chance of succeeding and getting through to the 1977 elections. The country may have moved too far towards collapse to now be saved by a weak, patch-work government--even if it be a constitutional one. The dynamics of the situation are such as to make it likely (though not yet inevitable) that the Armed Forces will at some point have to step in, whether or not they want to and whether they do so directly or indirectly. They would be the only strong, cohesive sector left to fill the vacuum (the other powerful sector--Labor--being too fragmented and poorly led to do so). The officers who are likely to play key roles are moderate conservatives, and are reasonably well inclined towards the US. There is not likely, then, to be a new Portugal here. However, whether the military can do any better than the civilians in solving the country's basic problems remains to be seen. They will have the strength and authority to do so, but their record of problem solving over the past 45 years is not inspiring.

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Should they too fail, a vacuum of serious proportions would be created and frustrations reach dangerous levels. Under those circumstances, extremes would become "thinkable," whether from the Right or the Left. End Summary.

2. Mrs. Peron and the Power Vacuum. The recent military crisis pointed up again that it is not Mrs. Peron who commands. Labor had earlier faced her down, forcing her to honor collective bargaining and get rid of Lopez Rega, after she had said she would not. The Congress also defied her, and won, electing a Provisional President of the Senate against her wishes and ousting Lastiri from the Chamber of Deputies. Even her minor victory in having Toranzo rather than Osella Munoz elected to replace Lastiri was a Pyrrhic one which served only to split her Party even further and contributed to the undermining of Antonio Benitez, the strongest figure in her cabinet. Now the Armed Forces have imposed their demands against her expressed will. In the final analysis, they could make their decisions stick. She could not. Further, she is embattled on other fronts. Her own party is split, with at least a strong minority (and possibly even a majority) opposed to her. The check scandal (see ref b) refuses to die and there are possible new charges against her having to do with a reported marriage previous to her bonds with Peron. In sum, Mrs. Peron's authority and image have been irretrievably undermined.

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3. Mrs. Peron Sticks with Lopez Rega to the End, with

Predictable Results: This need not have been but comes as no surprise. Mrs. Peron's only chance, once Lopez Rega was ousted, was to make a fresh start, disassociating herself from him and appointing ministers not identified with him. Given the tenacity with which she had stuck by Lopez Rega, however, few expected that she would do so. Indeed, many had expected that she would resign shortly after Lopez Rega. That she did not do the one may have had to do with the other. In other words, she may well have stayed on at Lopez Rega's request, thus keeping one foot in the door for him. Certainly she has defended his interests and fought for his adherents every inch of the way, trying first to hang on to Rodrigo, and then to the Villones, Condit, Vignes and others. At this point, however, the game appears to be up. The Lopez Registas have been pretty well cleaned out of the government, and Mrs. Peron certainly cannot keep any doors open. The problem, however, is that Mrs. Peron may not realize that the game is up. The realities of the situation suggest that she leave the presidency, but she just may not perceive it that way.

4. Power Vacuum to be Filled. As stated above, even if she stays on as President, someone else must fill the vacuum. Attention should therefore be focused on that

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rather than upon the question of whether or not she goes, a question which has to do only with the form and not the substance of what fills the vacuum. If she stays on for awhile, the strongest of her Cabinet Ministers will probably run the government--in something of a repetition of Benitez's minicabinet. Who those ministers may be remains to be seen. At the moment, Cafiero is the only strong figure in the cabinet, and his failure to come back from the US with more than expressions of sympathy may hurt his position too.

5. If Mrs. Peron resigns (or is forced to resign), the Congress will elect a new President to serve out her term-- or attempt to do so. Earlier on, Luder had the inside track. More recently, he has lost some ground and there is increasing talk of BA Governor Vicente Calabro as a possibility. Even so, the odds at this point must remain on Luder.

6. Whoever fills the power vacuum (assuming that someone does!), they will need the strong support of the Armed Forces and at least the tacit support of Labor. The first will be easier to secure than the second, for Labor is not likely to be enthusiastic about the kind of financial restraints which must be applied if the economy is to be turned around. Casildo Herreras and other leaders may talk of going along with the government, but they know full well that the rank and file will follow them only so far. On bread and butter issues, their

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maneuver room is tightly limited. It is likely to take something more forceful than backroom politicking to keep labor in line--and whether a civilian government (be it Mrs. Peron's, Luder's or someone else's) would have that force is an open question. Further, a year of Lopezreguismo had disastrous results for the unity of the body politic. The consensus which had existed while Peron was alive has been replaced by extreme fragmentation. This is especially true in the Peronist Party. There, divisions, animosities and sheer jockeying for position have become intense--and there is no Juan Domingo Peron to bring it under control. Mrs. Peron cannot. It is doubtful that Luder, Robledo, or any of the other Peronist players at this point could either. Thus, the fundamental power base of any Peronist government may be too tenuous to enable it to deal effectively with the two most serious and basic problems the country faces: a) economic malaise, and b) rampant terrorism.

7. The Military. The Armed Forces, on the other hand, have emerged from the recent crisis over Damasco's appointment (see ref a) more united than they have been since 1973. Since May of that year, the Army has been commanded by generals who believed it should cooperate closely with the government. Carcagno was politically minded and tried to be more populist than the Peronists. Laplane also repre-

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resented the "populist" tendency and was sympathetic to Peronismo. He pushed a form of professionalism "at the service of and integrated with the government's programs and policies." All three commanders, Carcagno, Laplane and even Anaya (though, admittedly, he to a much lesser degree), had one foot in the government's camp even though they represented first and foremost the Army. This produced a certain amount of split vision on the part of the leadership and confusion below them as to what was expected of the Army. With the conclusion of the recent crisis, this is no longer the case. The overwhelming majority of officers lined up against Laplane and Damasco (who also represented the "populist" line). Those who supported the latter were by and large retired. The Army now stands highly unified and sure of itself. The dominant line around which it has united is one led by officers of a traditionalist/moderately conservative stripe. They are not golpistas. On the contrary, Army CINC Videla is more insistent on straight professionalism than were his predecessors. They do not wish to enter the political arena--let alone take power. But neither do they have any ties of sympathy to the Peronist government. Videla represents the Army (and, thus, the Armed Forces) first, foremost and only, and he sees the role of the Armed Forces as being one of defending and guaranteeing

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the Nation and the Constitution.

8. Even though divisions have been largely overcome, no trigger mechanism for intervention has been activated.

On the contrary, the Armed Forces remain opposed to intervention--or perhaps better said, they do not want to take power unless and until there is no other alternative.

9. This gives evidence that the Argentine military have changed. Either they are more democratically minded and dedicated to the Constitution than they were ten years ago, or they are more politically astute, or both. They will, then, move in only reluctantly. As suggested above, however, given the power vacuum, the weakness of what might fill it short of the military, and the increasing magnitude of the problems faced, there may well be no alternative. This is not to say, however, that the military must necessarily put generals in the executive offices. They might, if they can find acceptable figures to front for them, prefer a "Guido solution"--i.e. a civilian President controlled by the military.

Even so, the Armed Forces would still be running the country.

10. Since the military are likely to move only as a last resort, the situation they take over would likely be an unsettled one. To impose order, they would probably use a heavy hand, and at least initially would not likely brook much opposition to the economic and political measures they deemed necessary. The "populist" line in the Armed Forces

was defeated in the recent crisis. Indeed, it was shown to have very little strength. The generals who might take over in the future are moderate conservatives. They certainly would not open the way to the Left, a la Portugal. On the contrary, they are more likely to crack down on the Left. They would doubtless try to reach some understanding with the Labor leadership, but the interests of the two institutions are not in concert. The Armed Forces would stand on the side of economic austerity. Labor would not. Hence, there is little basis for an understanding; rather, relations between the two would probably more closely resemble those of the Lanusse period--i.e. Labor held in line by both carrot and stick, and probably more of the latter than the former. (See septel for additional analysis of possibilities of a Labor-Military alliance.)

11. No Guarantee of Military Success. Even assuming that the Armed Forces do at some point move in to fill the power vacuum which now exists, there is no assurance that they would fare much better than the civilian politicians in coming to grips with the country's basic ills. With respect to the terrorists, for example, it should not be forgotten that prior to 1973 the military had a free hand in trying to wipe them out--with no success. On the economic side, too, there are doubts as to the military's ability to cope. They understand the need for austerity but whether or not they perceive

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[and could treat effectively the root ills is doubtful.]

Their record under Lanusse in this regard was not inspiring. Further, there is an open question as to whether or not they would in the final analysis have the stomach to take strong repressive measures against Labor should the latter rebel against austerity measures. The mood of the generals now in control suggests that they would, but that could change quickly when faced with the act rather than the thought.

12. What Happens if the Military Fail? If the civilian/constitutionalist forces fail in their efforts to stabilize the country, there will be a turn to the military. Should the military themselves fail, the consequences would be more serious. Frustrations would mount to dangerous levels, and normally moderate Argentines might begin thinking of extreme solutions. The door just might then be opened to the Left--though given the number of old-line fascists still lurking in Argentina, one neither could not discount the possibility of some sort of right-wing dictatorship. There are some junior and field grade officers in the Army and Air Force who might support a leftist solution. There are even more, however, who, if it came to that, would favor a rightist rather than a leftist dictatorship.

13. Role of Terrorism. Terrorism--along with a faltering economy--will continue to be one of the most serious and

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and immediate problems any government must face. The terrorists have little popular support but their influence is widely spread throughout the country. At this point, they do not have the capability to overthrow the government and take power. Their actions have, however, already interrupted the normal flow of economic and political life in Argentina. To demonstrate that it is effective, any government, whether civilian or military, must reverse the tide. Mrs. Peron's has so far been unable to do so-- a factor which has contributed to the undermining of her position. The terrorists do, then, have some degree of impact upon a government's durability. Should the military take power and also fail to stabilize the country, the terrorists might have the capability to carry the extreme left to power--though it would take the worst of all possible contingencies for this to happen.

14. Why Should the US Care? The US has important interests in Argentina. The most tangible are in the form of about 1.5 billion dollars of private investment we have here. Less tangible, but no less important, are a number of political considerations. Argentina is one of the four largest and wealthiest countries in Latin America. It dominates the Southern Cone and continues to have marked influence in the OAS. If led by a moderate, responsible government favorably disposed to us, it could be of great ~~invaluable~~ assistance

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in working out more viable hemispheric relationships--as indeed under FonMin Vignes it did play a helpful role from Tlatelolco until its internal disarray became acute earlier this year. A disoriented Argentina under irresponsible and hostile leadership, on the other hand, could create serious problems for our whole hemispheric position--both in the OAS and otherwise. For example, Argentina is ahead of all other IA states in nuclear development and could build a nuclear device if the GOA so chose. Given the traditional and at times emotional rivalry with Brazil, which could also build a bomb, the ingredients for a dangerous arms race are there--to be activated should either side behave irresponsibly. This would complicate enormously our relations with both and our position in the rest of the hemisphere.

15. Future Role in the North-South Equation. On the world stage, too, a stable Argentina led by a responsible, friendly government could play an important role in helping to forge a more harmonious world order, which we have defined across the board as being in our interests. Its position as one of the world's major food exporters militates in favor of such a role. Even more so perhaps does its almost unique position as a bridge between developed and poor nations. Ethnically European and a basically wealthy country (even though its economy is temporarily in a state of disarray),

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Argentina is at the same time a participating member of the Third World. It is, then, in a position to perceive and understand the points of view of both. Argentina could do much to interpret the views of the two sides, one to the other, and to influence Third World positions in more responsible directions. It must have a firmer domestic base, of course, before it can play such a role, but the potential is there and could be extremely useful to us in the future.

16. What Can the US Do? The above are reasons why the US should wish to see stable, responsible government in Argentina. With it, Argentina could be a valuable partner. A breakdown which might open the way to extremes, on the other hand, would threaten the loss of American investments and create serious problems for us here and in the rest of the hemisphere. At the moment, the situation is in between. The government is unstable and is too beset by internal problems to be an effective partner in international endeavors. The worst, however, appears to be still several stages further down the road. Hopefully, Argentina will never get there, but given the rate of deterioration over the past six months, no one can be overly sanguine. There is little the US can do which will significantly affect the outcome here. We can encourage them and perhaps reward movement in the right direction with moral and economic support. We must be alert